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A T T O R N E Y S

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RECORDATION NO. 21553 FILED

AUG 7 '98

2-54PM

August 7, 1998

Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
Washington, DC 20423

Dear Secretary Williams:

I have enclosed the original and one certified copy of the document described below, to be recorded pursuant to 49 U.S.C. §11301.

The document is a Memorandum of Security Agreement, a primary document, dated as of May 21, 1998. Please record this document under the next available Recordation Number. The names and addresses of the parties to the Memorandum of Security Agreement are:

Secured Party/Agent:

NationsBank, N.A.  
Third and Broadway  
Pittsburg, KS 66762

Debtor:

Palouse River & Coulee City Railroad, Inc.  
315 W. 3rd Street  
Pittsburg, KS 66762

A description of the equipment covered by the Memorandum of Security Agreement is in Attachment and **ALL NOW OWNED OR HEREAFTER ACQUIRED.**

BALL JANIK LLP

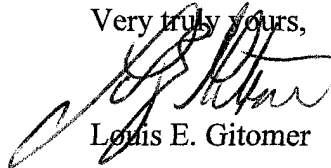
Honorable Vernon A. Williams  
August 7, 1998  
Page 2

A fee of \$26.00 is enclosed. Please return the original document to:

Louis E. Gitomer  
Of Counsel  
Ball Janik LLP  
Suite 225  
1455 F Street, N.W.  
Washington, DC 20005

A short summary of the document to appear in the index follows: a Memorandum of Security Agreement between NationsBank, N.A., Third and Broadway, Pittsburg, KS 66762, and Palouse River & Coulee City Railroad, Inc., 315 W. 3rd Street, Pittsburg, KS 66762, covering the equipment described in the Attachment and **ALL NOW OWNED OR HEREAFTER ACQUIRED.**

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. Gitomer", is written over the typed name.

Louis E. Gitomer

Enclosures

**Memorandum of Security Agreement**

**SCHEDULE**

Palouse River and Coulee City Railroad, Inc..... See attached.

Generations Holdings, Inc.  
Pittsburg, Kansas

Date: 13-May-98

	←Present Road ID→			←Manufacturer→		Date Built or ReBuilt	←Acquisition Information→		
	Corp Owner	Road Initials	Road #	Information Model #	Serial #(2)		Last Class 1	From	Date
59	PCCRR	PCC	2353	GP 35			MIDWEST METALLICS	8/26/96	\$
60	PCCRR	PCC	2357	GP 35			MIDWEST METALLICS	8/26/96	\$
61	PCCRR	PCC	3651	GP 35			MIDWEST METALLICS	9/23/96	\$
62	PCCRR	PCC	4212	GP 30			MIDWEST METALLICS	9/6/96	\$
	PCCRR	PCC	7268	GP 35			Midwest Metellics	10/17/96	
	PCCRR	PCC	4229	GP 35			Midwest Metellics	10/17/96	

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## MEMORANDUM OF SECURITY AGREEMENT

This Memorandum of Security Agreement, dated as of May 21, 1998, is by Palouse River & Coulee City Railroad, Inc. (the "Debtor"), and Nationsbank, N.A., as Agent for the Banks pursuant to the Credit Agreement (the "Credit Agreement"), dated as of May 21, 1998, among Generations Holdings, Inc. (the "Borrower"), the Banks listed therein (the "Banks"), and the Agent.

1. The Banks have made a loan to the Borrower pursuant to the Credit Agreement for the purpose of financing the operating needs of the Borrower and its affiliates (including the Debtor). Such loans are secured by the Debtor's assets pursuant to a Security Agreement, dated as of May 21, 1998.

2. Pursuant to the Security Agreement Debtor grants to the Banks a lien on and security interest in all of Debtor's right, title and interest in and to the equipment (as defined in the Security Agreement) identified in the Schedule attached hereto and now owned or hereafter acquired, pursuant to Section 2 of the Security Agreement.

IN WITNESS WHEREOF, each of the parties hereto have caused this MEMORANDUM OF SECURITY AGREEMENT to be executed by its duly authorized officer as of the date first above written.

PALOUSE RIVER & COULEE CITY RAILROAD, INC.  
as Debtor

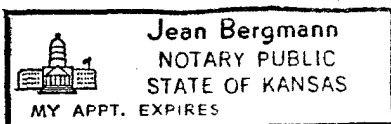
By: Richard B. Webb  
Name: Richard B. Webb  
Title: President

NATIONSBANK, N.A.  
as Agent

By: Jeffrey G. Elliott  
Name: Jeffrey G. Elliott  
Title: Vice President

State of Kansas )  
County of Crawford ) ss.

On this 21 day of May, 1998, before me personally appeared Richard B. Webb to me personally known, who, being by me duly sworn, says that (s)he is President of Palouse River & Coulee City Railroad, Inc., and that (s)he is duly authorized to sign the foregoing instrument on behalf of Palouse River & Coulee City Railroad, Inc., and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of Palouse River & Coulee City Railroad, Inc.

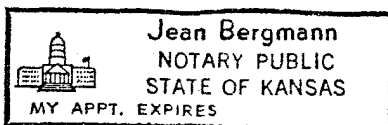


Jean Bergmann  
Notary Public

My commission expires: 6-21-98

State of Kansas )  
County of Crawford ) ss.

On this 21 day of June, 1998, before me personally appeared Jeffrey G. Elliott to me personally known, who, being by me duly sworn, says that (s)he is Vice President of Nationsbank, N.A., and that (s)he is duly authorized to sign the foregoing instrument on behalf of Nationsbank, N.A., and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of Nationsbank, N.A.



Jean Bergmann  
Notary Public

My commission expires: 6-21-98

**Memorandum of Security Agreement**

**SCHEDULE**

Palouse River and Coulee City Railroad, Inc..... See attached.

Generations Holdings, Inc.  
Pittsburg, Kansas

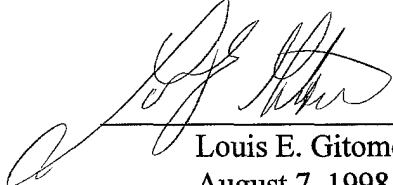
Date: 13-May-98

	← Present Road ID →			← Manufacturer Information →		Date Built or Rebuilt	← Acquisition Information →		
	Corp Owner	Road Initials	Road #	Model #	Serial # (2)		Last Class	From	Date
59	PCCRR	PCC	2353	GP	35		MIDWEST METALLICS	8/26/96	\$
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	PCCRR	PCC	2268	GP	35		Midwest Metallis	10/17/96	
	PCCRR	PCC	4229	GP	35		Midwest Metallis	10/17/96	



## CERTIFICATION

I, LOUIS E. GITOMER, have compared this copy to the original Memorandum of Security Agreement dated as of May 21, 1998, and found the copy to be complete and identical in all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.



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Louis E. Gitomer  
August 7, 1998